

Annual Financial Statements

for

Mfolozi Municipality

for the year ended 30 June: **2011**

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:

MH Nkosi

Name of Chief Financial Officer:

CN Ngema

Contact telephone number:

(035) 580 1421

Contact e-mail address:

nkosim@mbonambi.co.za

**Name of contact at provincial
treasury:**

Sifiso Vezi

Contact telephone number:

033 897 4532

Contact e-mail address:

sifiso.vezi@kzntreasury.gov.za

Name of relevant Auditor:

P Makaye

Contact telephone number:

033 264 7400

Contact e-mail address:

makayep@agsa.co.za

**Name of contact at National
Treasury:**

Jan Hattingh

Contact telephone number:

012 315 5009

Contact e-mail address:

jan.hattingh@treasury.gov.za

Mfolozi Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information	
<u>Members of the Council</u>	
ZD Mfusi	Speaker
SW Mgenge	Mayor
ME Ntshangase	Deputy Mayor
FPE Mpungose	Member of the executive committee
BT Mngayi	Member of the executive committee
FM Thusi	Member of the executive committee
SK Ngema	Member of the executive committee
Municipal Manager	
MH Nkosi	
Chief Financial Officer	
CN Ngema	
Grading of Local Authority	
Grade 2	
Auditors	
Auditor-General	

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General information (continued)

Registered Office:	Mfolozi Municipal Offices
Physical address:	25 Bredelia Street Mbonambi 3915
Postal address:	P.O. Box 96 Mbonambi 3915
Telephone number:	035 580 1421
Fax number:	035 580 1141
E-mail address:	<u>nkosim@mbonambi.co.za</u>

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Approval of annual financial statements

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 5 to 59, in terms of Section 126(1) of the Municipal Finance Management Act No 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager:

DATE: 22 November 2011

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Mfolozi Municipality STATEMENT OF FINANCIAL POSITION as at 30 June 2011			
	Note	2011 R	2010 R
ASSETS			
Current assets			
Cash and cash equivalents	1	-	405,808
Trade and other receivables	2	2,413,699	1,937,972
VAT receivable	3	1,158,068	3,060,127
Non-current assets			
Property, plant and equipment	4	57,756,594	45,288,568
Intangible Assets		104,489	125,510
Total assets		61,432,849	50,692,475
LIABILITIES			
Current liabilities			
Trade and other payables	5	23,069,933	20,754,333
Payments received in advance		645,673	766,162
Cash and cash equivalents	1	194,179	-
Current portion of unspent conditional grants and receipts	6	4,735,482	2,522,722
Non-current liabilities			
Total liabilities		28,645,266	24,043,218
Net assets		32,787,583	26,649,257
NET ASSETS			
Accumulated surplus / (deficit)		32,787,583	26,649,257
Total net assets		32,787,583	26,649,257

Mfolozi Municipality STATEMENT OF FINANCIAL PERFORMANCE for the year ending 30 June 2011			
	Note	2011	2010
		R	R
Revenue			
Property rates	7	5,380,607	2,201,239
Service charges		211,048	195,187
Rental of facilities and equipment	8	89,308	71,301
Interest earned - external investments	9	18,778	86,930
Interest earned - outstanding receivables	10	172,824	
Fines		123,976	1,920,608
Government grants and subsidies	11	57,770,384	45,290,634
Contributions from provisions		19,562	
Other income	12	541,527	447,285
Total revenue		64,328,014	50,213,182
Expenses			
Employee related costs	13	15,283,539	12,651,990
Remuneration of councillors	14	4,541,374	4,377,294
Finance costs		1,041,809	-
Collection costs		-	4,871
Depreciation and amortisation expense	15	2,830,708	1,603,126
Repairs and maintenance		2,117,971	1,139,254
Contracted services	16	627,920	351,880
Grants expenditure	17	9,593,753	-
General expenses	18	22,352,815	12,521,930
Total expenses		58,189,688	32,650,145
Gain / (loss) on sale of assets	19		52,865
(Impairment loss) / Reversal of impairment loss		-	-
Surplus / (deficit) for the period		6,138,326	17,510,172

Mfolozi Municipality STATEMENT OF CHANGES IN NET ASSETS as at 30 June 2011			
	Accumulated Surplus/(Deficit)	Total: Net Assets	
	R	R	Note
Balance at 30 June 2009			
Changes in accounting policy	1,482,564	1,482,564	
Correction of prior period error	9,879,300	9,879,300	
Restated balance	11,361,864	11,361,864	
Surplus / (deficit) on revaluation of property, plant and equipment	-	-	
<i>Other items</i>	-	-	
<i>Other items</i>	991	991	
Net gains and losses not recognised in the statement of financial performance	-	-	
Transfers to / from accumulated surplus/(deficit)	-	-	
Surplus / (deficit) for the period	17,510,172	17,510,172	
Balance at 30 June 2010	28,873,027	28,873,027	
Correction of prior period error	(2,223,770)	(2,223,770)	
Restated balance	26,649,257	26,649,257	
Surplus / (deficit) on revaluation of property, plant and equipment	-	-	
<i>Other items</i>	-	-	
<i>Other items</i>	-	-	
Net gains and losses not recognised in the statement of financial performance	-	-	
Transfers to / from accumulated surplus/(deficit)	-	-	
Surplus / (deficit) for the period	6,138,326	6,138,326	
Balance at 30 June 2011	32,787,583	32,787,583	

Mfolozi Municipality
CASH FLOW STATEMENT
as at 30 June 2011

	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from ratepayers, government and others		60,281,007	47,258,545
Sale of goods and services		(386,418)	34,801
Grants		59,983,145	44,758,215
Interest received		18,778	86,930
Other receipts		665,503	2,378,599
Cash paid to suppliers and employees		(45,677,771)	(31,047,020)
Employee costs		(19,824,913)	(17,029,284)
Suppliers		(25,852,858)	(12,739,691)
Interest paid		-	(134,119)
Other payments			(1,143,926)
Finance income		-	-
Net cash flows from operating activities	19	14,603,236	16,211,525
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(15,203,223)	(15,865,750)
Proceeds from sale of fixed assets			38,000
Proceeds from sale of investments			
Purchase of intangibles			
Decrease/(Increase) in Loans and receivables			
Net cash flows from investing activities		(15,203,223)	(15,827,750)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Repayment of borrowings			
Proceeds from finance lease liability			
Repayment of finance lease liability			
Net cash flows from financing activities			-
Net increase / (decrease) in net cash and cash equivalents		(599,987)	384,765
Net cash and cash equivalents at beginning of period		405,808	21,043
Net cash and cash equivalents at end of period	20	(194,179)	405,808

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the Annual Financial Statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

1.2 PRESENTATION CURRENCY

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. **Land** is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<i>Infrastructure Assets</i>		<i>Other Assets</i>	
Roads and Paving	30 years	Buildings	30 years
Stormwater Drainage	20 years	Specialist vehicles	10 years
Community Assets		Other vehicles	5 years
Buildings	30 years	Office equipment	3-7 years
Recreational Facility	20-30 years	Furniture and fittings	7-10 years
Security	5 years	Bins and containers	5 years
Community Halls	30 years	Specialised plant and equipment	10-15 years
Libraries	30 years	Landfill sites	15 years
Parks and gardens	10 years	Computer equipment	3 years
Finance Lease Assets			
Office equipment	4 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset's given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 years
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MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Mfolozi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At Initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period.

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

6 FINANCIAL INSTRUMENTS

6.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

6.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

6.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

6.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Provision for doubtful debts is calculated by categorising the outstanding into three:

Category A are government properties and those who owe less the 30 days. No provision is made for them.

Category B are those who irregular payers, and the debts is more then 60 days. The provision is made at 25%

and the provision is at 50%

Category C are bad payers

6.2.3 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

6.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

7 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

11 LEASES

11.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

11.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

12 REVENUE

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

12.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

13 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

14 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

15 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

Impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2,011	2,010
		R	R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash and Bank-Primary account		-209,905	390,082
Cash and bank-Traffic fines		15,606	15,606
Cash and bank-special disaster account		120	120
		-194,179	405,808
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Account)</u>			
ABSA Bank Limited - Durban La Lucia ridge Branch: Account Number 4054154293			
Cash book balance at beginning of year		390,082	
Cash book balance at end of year		-209,905	390,082
Bank statement balance at beginning of year		-	
Bank statement balance at end of year		-	
<u>Cash on hand</u>		-	-
Total cash and cash equivalents		-194,179	405,808
Total bank overdraft		-	-

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2,011	2,010
		R	R
	Gross Balances	Provision for	Net Balance
	R	Doubtful Debts	R
		R	
2 TRADE AND OTHER RECEIVABLES			
2.1. Trade receivables			
as at 30 June 2011			
Service debtors			
Rates	2,179,724	-	2,179,724
Other receivables	479,379	-	-
Uncleared deposits	-245,404	-	-
Total	2,413,699	-	2,179,724
<u>Other receivables</u>	-	-	-
Other receivables	-	-	-
Total Trade and other receivables	2,413,699	-	2,179,724
as at 30 June 2010			
Service debtors			
Rates	1,937,972	-	1,937,972
Refuse	-	-	-
Total	1,937,972	-	1,937,972
<u>Other receivables</u>	-	-	-
Other receivables	-	-	-
Total Trade and other receivables	1,937,972	-	1,937,972
<u>Rates: Ageing</u>			
Current (0 – 30 days)	308,190		
31 - 60 Days	383,564		82,967
61 - 90 Days	275,324		73,780
91 - 120 Days	1,520,836		810,456
Total	2,179,724	-	967,203
3 VAT RECEIVABLE			
VAT receivable		1,158,066	3,060,127
		1,158,068	3,060,127

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

4 PROPERTY, PLANT AND EQUIPMENT

4.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community Assets	Other PPE	Total
	R				R	R
as at 1 July 2010	10,404,853	4,251,009	8,030,193	18,609,010	3,867,994	45,163,058
Cost/Revaluation	601,003	1,933,828	12,969,862	20,626,067	7,373,110	43,503,870
Correction of error (note 24)		1,191,489	-552,576		-1,789,514	-1,150,601
Change in accounting policy (note 25)	9,803,850				408,099	10,211,949
Transfers		2,496,718	-2,339,389	-612,069	454,740	-
Accumulated depreciation and impairment losses	-275,770	-	-1,964,191	-1,477,851	-3,568,819	-7,286,631
Correction of error on Accumulated Depreciation	275,770	-1,371,026	-83,513	72,863	990,377	-115,530
Acquisitions	-	924,739	6,661,916	7,114,574	501,993	15,203,223
Depreciation	-	-218,225.81	-559,650.59	-983,731.53	-848,079	-2,809,687
as at 30 June 2011	10,404,853	4,957,522	14,132,459	24,739,852	3,521,907	57,758,594
Cost/Revaluation	10,404,853	6,546,774	16,739,813	27,128,572	6,948,429	67,768,441
Accumulated depreciation and impairment losses	-	-1,589,252	-2,607,355	-2,388,720	-3,426,521	-10,011,848

Refer to Appendix A for more detail on property, plant and equipment

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

4.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community Assets	Other PPE	Total
	R	R	R	R	R	R
as at 1 July 2009	497,424	1,590,000	7,702,326	7,761,948	4,534,843	22,086,542
Cost/Revaluation	733,155	1,590,000	9,336,712	8,942,079	7,244,981	27,846,927
Accumulated depreciation and impairment losses	-235,731	-	-1,634,388	-1,180,131	-2,710,138	-5,760,386
Acquisitions		343,828	3,633,150	11,683,988	204,785	15,865,750
Correction of error accumulated	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-
Depreciation	-40,039	-	-329,805	-297,720	-935,561	-1,603,125
Transfer to assets held for sale and disposal	-	-	-	-	-	-
Cost	-132,152	-	-	-	-	-132,152
Accumulated depreciation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-90,865	-90,865
Cost/Revaluation	-	-	-	-	-167,745	-167,745
Accumulated depreciation and impairment losses	-	-	-	-	76,880	76,880
as at 30 June 2010	325,233	1,933,828	11,005,671	19,148,216	3,804,291	36,217,239
Cost/Revaluation	601,003	1,933,828	12,969,862	20,626,067	7,373,110	43,503,870
Accumulated depreciation and impairment losses	-275,770	-	-1,964,191	-1,477,851	-3,568,819	-7,286,631

Refer to Appendix A for more detail on property, plant and equipment

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2,011	2,010
	R	R
5 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	9,478,073	9,478,730
Leave and Bonus Accruals	649,019	668,581
Other creditors	12,942,842	10,607,022
Total creditors	23,069,933	20,754,333

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2,011	2,010
	R	R
The fair value of trade and other payables approximates their carrying amounts.		
6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
6.1 Unspent Conditional Grants from other spheres of Government		
MIG Grants	1,133,993	51,876
FMG Grants	-	524,863
MSIG Grants	-	-
Housing Grants	1,819,977	-
MAP Grants	54,149	484,854
MAP- Saigina and Regina0	1,727,363	1,461,129
Sport Grant		
LED Grants		
Lottery Grants		
MAP Grants		
IDP Grants		
Establishment Grants		
6.2 Other Unspent Conditional Grants and Receipts	-	-
Total Unspent Conditional Grants	4,735,482	2,522,722
7 PROPERTY RATES		
<u>Actual</u>		
Residential	7,927,076	2,201,239
Less: income forgone:	-2,546,469	-
Rebates	37,514	-
Remission	2,508,954	-
	-	-
Total property rates	5,380,607	2,201,239
Total	5,380,607	2,201,239
<u>Valuations</u>		
commercial	937,600	
Residential	22,885,000	
Agriculture	136,436,000	139,316,001
Government/State	75,877,575	122,928,802
Municipal(Ingunyama Trust Land)	38,604,000	9,426,000
Total Property Valuations	274,740,175	271,670,603

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2,011	2,010
	R	R
8 RENTAL OF FACILITIES AND EQUIPMENT		
Rent-internal	89,308	71,301
Total rentals	89,308	71,301
9 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	18,778	86,930
Total interest	18,778	86,930
10 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Rates-debtors	172,824	-
Total interest	172,824	-
11 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	31,241,289	25,615,215
MIG Grant	10,952,883	13,112,388
FMG Grant	1,724,863	875,784
MSIG	750,000	735,000
MAP Saigina	1,733,766	3,995,871
Sport Grant		450,137
MAP Admin	430,705	115,146
Corridor Development		-
Project Consolidate		391,093
Housing Grant	10,935,878	
Refuse removal		-
Other Government Grants and Subsidies		-
Total Government Grant and Subsidies	57,770,384	45,290,634
11.1 Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly FBE, which is funded from the Equitable share grant.		

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2,011	2,010
	R	R
11.2 MIG Grant		
Balance unspent at beginning of year	51,876	2,213,264
Current year receipts	12,035,000	10,951,000
Conditions met - transferred to revenue	-10,952,883	-13,112,388
Conditions still to be met - remain liabilities	1,133,993	51,876
	-	-
11.3 MSiG Grant		
Balance unspent at beginning of year	-	-
Current year receipts	750,000	735,000
Conditions met - transferred to revenue	-750,000	-735,000
Conditions still to be met - remain liabilities	-	-
	-	-
11.4 FMG Grant		
Balance unspent at beginning of year	-	125,784
Current year receipts	1,200,000	750,000
Conditions met - transferred to revenue	-1,200,000	-875,784
Conditions still to be met - remain liabilities	-	-
	-	-
11.5 Housing Grant		
Balance unspent at beginning of year	-	-
Current year receipts	12,756,858	-
Conditions met - transferred to revenue	-10,936,878	-
Conditions still to be met - remain liabilities	1,819,977	-
	-	-
11.6 Sport ground		
Balance unspent at beginning of year	524,863	325,000
Current year receipts	-	650,000
Conditions met - transferred to revenue	-524,863	-450,137
Conditions still to be met - remain liabilities	-	524,863
	-	-
11.7 MAP- Admin capacity		
Balance unspent at beginning of year	484,854	-
Current year receipts	-	600,000
Conditions met - transferred to revenue	-430,705	-115,146
Conditions still to be met - remain liabilities	54,149	484,854
	-	-
11.8 MAP Saigina Grant		
Balance unspent at beginning of year	1,461,129	-
Current year receipts	2,000,000	5,457,000
Conditions met - transferred to revenue	-1,733,768	-3,995,871
Conditions still to be met - remain liabilities	1,727,363	1,461,129

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2,011	
R		R

2,010

Mfotsozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2,011	2,010
	R	R
12 OTHER INCOME		
Other income:		
Tender monies	147,000	80,620
Miscellaneous Income	383,632	201,811
Traffic fines		
SDL Refunds	10,895	164,854
Total Other income	541,527	447,285
13 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	10,284,071	8,533,376
Employee related costs - Contributions for UIF, pensions and medical aids	2,207,894	1,820,644
Travel, motor car, accommodation, subsistence and other allowances	1,577,938	1,261,919
Housing benefits and allowances	40,240	40,784
Overtime payments	556,757	541,008
Performance and other bonuses	583,420	454,258
Other employee related costs	33,218	-
Employee Related Costs	15,283,539	12,651,989
Remuneration of the Municipal Manager		
Annual Remuneration	612,149	597,142
Travel, motor car, accommodation, subsistence and other allowances	425,824	389,369
Contributions to UIF	1,497	10,177
Total	1,039,470	996,708
Remuneration of the Chief Finance Officer		
Annual Remuneration	519,883	443,745
Travel, motor car, accommodation, subsistence and other allowances	273,283	319,723
Contributions to UIF	1,497	7,987
Total	794,663	771,455
Remuneration of Corporate services Directors		
Annual Remuneration	519,883	507,138
Travel, motor car, accommodation, subsistence and other allowances	231,960	183,861
Contributions to UIF	1,497	7,041
Total	753,340	698,040
Remuneration of Technical services Directors		
Annual Remuneration	519,883	507,138
Travel, motor car, accommodation, subsistence and other allowances	282,174	241,053
Contributions to UIF	1,497	8,338
Total	803,554	756,529

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2,011	2,010
	R	R
14 REMUNERATION OF COUNCILLORS		
Mayor	205,049	189,708
Cell allowances	261,610	242,231.06
Councillors	3,012,079	2,961,432.57
Travel allowances	1,062,636	983,922.36
Total Councillors' Remuneration	4,541,374	4,377,294
In-kind Benefits		
The Mayor is provided with an office and secretarial support at the cost of the Council. The Mayor has a full time driver provided by the council.		
15 DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation on PPE	2,609,687	1,603,126
Amortisation of Intangible Assets	21,021	
	<u>2,630,708</u>	<u>1,603,126</u>
16 CONTRACTED SERVICES		
Cleaning Services	25,036	
Security	602,864	351,880
	627,920	351,880
17 GRANTS EXPENDITURE		
Housing Grant	9,593,753	-
	9,593,753	-

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2,011	2,010
	R	R
18 GENERAL EXPENSES		
Included in general expenses are the following:-		0 26
Advertising	280,755	141,439
Agency Fees		11,861
Archiving	15,838	6,679
Audit Committee	101,713	74,984
Bank charges	142,064	54,246
Bursaries	42,940	92,786
Cleaning Services..	175,261	172,082
Community services	325,932	474,601
Community Bursaries	400,087	
Contribution to research		67,937
Disaster Fund.	257,528	14,911
Electricity and water	1,260,574	398,909
Entertainment & Receptions	82,313	62,592
External Audit Fees..	1,091,874	918,512
Free basic energy		
Fuel and oil	543,683	479,454
Grader expenses		
Grants and donations	219,318	
HIV Awareness Campaigns	65,360	61,914
IDP Operating Projects		192,278
Insurance	217,209	
Internal Audit fees	848,961	440,836
Inventory Items		534,828
KwaNaloga Games	257,077	219,503
LED Programmes	352,600	205,308
Legal expenses	81,146	38,049
Levies and Membership fees	30,810	2,562
Licence fees -	93,369	44,520
Loose Tools	103	
Materials		1,930,173
Mayoral projects	3,023,971	130,719
Mayoral Cup	143,187	
Medical Examinations	6,491	1,650
Other		-484,587
Pauper burials		
Postage	83,012	10,996
Printing and stationery	300,204	314,427
Professional fees	5,251,969	1,223,746
Poverty Alleviation	845,939	246,158
Publicity	350,225	195,407
Purchase of books	20,217	14,148
Refreshments	262,162	102,529
Refreshments Council	107,521	130,479
Refuse removal		
Rent Copier	310,462	242,489
Rent plant , vehicles and Machinery	593,740	95,831
Sanitation	536,769	281,331
Seminar & Conferences	22,700	32,600
Small tools	1,673	18,398
Skills development levy		
Staff year end function		16,200
Street Lightning	613,052	
Stores & Material	24,369	10,197
Subsistence and travelling	770,047	475,967
Sundries	59,604	184,455
Telephone cost	727,196	623,376
Traffic Management	328,947	263,158
Training	44,640	239,907
Training - Councillors	170,614	220,076
UDM Rural Metro Shared Services		
Uniforms & Protective clothing	44,221	32,005
Youth Skills		188,600
Contribution to small assets register	805,602	
Contribution to leave		896,585
VAT clearing		
Zulu Dance	47,569	40,200
	22,352,614	12,387,811

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2,011	2,010
	R	R
19 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	6,138,326	17,510,172
Adjustment for:-		
Depreciation and amortisation	2,630,708	1,603,126
(Gain) / loss on sale of assets	-	52,865
Contribution to provisions - current	-	
Finance costs	-	
Impairment loss / (reversal of impairment loss)	-	
Other non-cash item	-	991
Operating surplus before working capital changes:	8,769,033	19,167,154
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade receivables	-475,726	10,543
(Increase)/decrease in other receivables	-	24,258
(Increase)/decrease in VAT receivable	1,902,059	-3,048,019
Increase/(decrease) in conditional grants and receipts	2,212,759	372,486
Increase/(decrease) in trade payables	2,315,600	216,513
Increase/(decrease) in consumer deposits	-120,489	-532,419
Cash generated by/(utilised in) operations	14,603,236	16,212,516
20 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	-194,179	3,759,769
Bank overdrafts	-	-
Net cash and cash equivalents (net of bank overdrafts)	-194,179	3,759,769
21 CORRECTION OF ERROR		
21.1 Trade and other receivables		
Balance previously reported	2,107,575	
Restatement	-169,603	
Restated balance	1,937,972	
The balance for Trade and other receivables was restated due to the unreconciling Age Analysis and debtors control account.		
21.2 Trade and other payables		
Balance previously reported	9,493,249	
Restatement	1,113,773	
Restated balance	10,607,022	
The balance for Trade and other payables was restated due to understatement of SARS amount payable		
21.3 Property Plant and Equipment at cost		
Balance previously reported	43,503,870	
Restatement	-1,150,601	
Restated balance	42,353,270	
21.4 Intangible Assets at Cost		
Balance previously reported	-	
Restatement	210,206	
Restated balance	210,206	
21.5 Amortisation of Intangible Assets		
Balance previously reported	-	
Restatement	84,697	
Restated balance	84,697	
21.6 Accumulated Surplus/(Deficit)		
Balance previously reported	28,873,027	
Property Plant and Equipment	-940,394	
Trade and other receivables	-169,603	
Trade and other payables	-1,113,773	
Restated balance	26,649,257	

Mfotozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2,011	2,010
	R	R
22 CHANGES IN ACCOUNTING POLICY		
22.1 Property Plant and Equipment at cost		
Balance previously reported	43,503,870	
Restatement	10,211,949	
Restated balance	53,715,819	
22.2 Accumulated Depreciation on PPE		
Balance previously reported	7,286,631	
Restatement	115,530	
Restated balance	7,402,160	
22.3 Impact of changes in Accumulated Surplus		
Property Plant and Equipment at cost	10,211,949	
Accumulated Depreciation on PPE	115,530	
	10,327,479	
23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
23.1 Fruitless and wasteful expenditure		
Opening Balance	295,934	610,115
Fruitless and wasteful expenditure- current year	1,890,885	295,934
Interest and Penalties	1,041,608	295,934
Double payments	849,076	
Condoned or written off by Council	-295,934	-610,115
Fruitless and wasteful expenditure awaiting condonement	1,890,885	295,934
23.2 Unauthorised and Irregular expenditure		
Opening Balance	3,440,006	12,542,467
SCM Deviations	-	1,323,092
Conditional grants not cash backed	4,735,462	2,116,914
Condoned or written off by Council	-3,440,006	-12,542,467
Unauthorised and Irregular expenditure awaiting condonement	4,735,462	3,440,006

Mfolozi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2,011	2,010
	R	R
24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
24.1 PAYE, UIF & SDL		
Opening balance	6,857,837	4,198,003
Council subscriptions	3,904,868	2,765,444
Amount paid - current	-3,347,993	295,934
Amount paid - previous years		-806,249
Balance unpaid (included in payables)	7,414,710	7,873,705
25 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
- Approved and contracted for	2,758,546	-
Infrastructure	1,702,074	-
Community	534,350	-
Heritage	-	-
Other	522,122	-
This expenditure will be financed from:		
- Own REVENUE	42,155	
- Government Grants	2,716,391	
	<u>2,758,546</u>	
- Approved but not yet contracted for	17,624,000	14,135,000
Infrastructure	2,722,500	-
Community	11,751,500	12,035,000
Heritage	-	-
Other	3,150,000	2,100,000
This expenditure will be financed from:		
- Own REVENUE	3,150,000	2,100,000
- Government Grants	14,474,000	12,035,000
	<u>17,624,000</u>	<u>14,135,000</u>
27 Going concern		
Management acknowledges the unfavorable financial health of the Municipality, characterised by Payables (Note 5) of R 23,069,933, grants not cash backed and penalties and interests due to non payment of PAYE, SDL and UIF. Despite this the Municipality is guaranteed equitable share allocations that inject cash on a continuous basis. Management will table an adjustment budget cutting back some expenditure.		

Mfotolozi Municipality
APPENDIX A
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation				Accumulated Depreciation						Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	
	R	R	R	R	R	R	R	R	R	R	R	R
Land												
Land												
Landfill Sites												
Quarries												
Buildings												
Infrastructure												
Drains												
Roads												
Sewerage Mains & Purification												
Electricity Mains												
Electricity Peak Load Equip												
Water Mains & Purification												
Reservoirs – Water												
Water Meters												
Storm Water												
Under construction												
Community Assets												
Parks & Gardens												
Libraries												
Recreation Grounds												
Civic Buildings												
Stadiums												
Halls												
Theatre												
Swimming Pools												
Camelaries												
Heritage Assets												
Historical Buildings												
Paintings & Artifacts												
Total carried forward												

Mfotolozi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation				Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of Impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-

Mfotoli Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation				Accumulated Depreciation						Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			Transfers
Land													
Land													
Landfill Sites													
Quarries													
Buildings													
Infrastructure													
Drains													
Roads													
Sewerage Mains & Purification													
Electricity Mains													
Electricity Peak Load Equip													
Water Mains & Purification													
Reservoirs – Water													
Water Meters													
Storm Water													
Under construction													
Community Assets													
Parks & Gardens													
Libraries													
Recreation Grounds													
Civic Buildings													
Stadiums													
Halls													
Theatre													
Swimming Pools													
Cemeteries													
Heritage Assets													
Historical Buildings													
Paintings & Antiquities													
Total carried forward													

Mfolozi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation				Accumulated Depreciation						Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	
	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets												
Office Equipment												
Furniture & Fittings												
Bins and Containers												
Emergency Equipment												
Motor vehicles												
Fire engines												
Refuse tankers												
Computer Equipment												
Computer Software (part of computer equipment)												
Other Assets												
Total	-	-	-	-	-	-	-	-	-	-	-	-

Mfolozi Municipality

APPENDIX B

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

as at 30 June 2011

	Cost / Revaluation			Accumulated Depreciation			Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	
	R	R	R	R	R	R	R
Executive & Council	43,503,870	15,203,223	-	-	67,768,441	(3,314,462)	57,756,594
Finance & Admin							
Planning & Development							
Health							
Community & Social Services							
Public Safety							
Sport & Recreation							
Environmental Protection							
Waste Management							
Road Transport							
Water							
Electricity							
Other							
Total	43,503,870	15,203,223	-	-	67,768,441	(3,314,462)	57,756,594

Mfolozi Municipality
APPENDIX C

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2011

2010	2010		2010		2011		2011	
	Actual Income R	Actual Expenditure R	Surplus / (Deficit) R		Actual Income R	Actual Expenditure R	Surplus / (Deficit) R	
	-	5,829,985.67	(5,829,986)	Executive & Council	-	10,336,305	(10,336,305)	
33,024,465.01	7,729,337.53	25,295,127	25,295,127	Finance & Admin	42,294,715	13,703,771	28,590,944	
96,802.28	5,720,283.86	(5,623,482)	(5,623,482)	Corporate Services	123,976	10,141,808	(10,017,833)	
17,091,914.70	13,423,402.95	3,668,512	3,668,512	Planning & Development	21,889,761	23,799,095	(1,909,334)	
		-	-					
50,213,182	32,703,010	17,510,172	17,510,172	Less: Inter-Department Charges				
	-	-	-	Total				
50,213,182	32,703,010	17,510,172	17,510,172		64,308,452	57,980,979	6,327,473	

Ntambanana Municipality

APPENDIX D

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

as at 30 June 11

Description	Original Budget 1	Budget Adjustments (L.O. 528 & s31 Of The MFMA)	Virement (L.O. Council Approved By- Law)	Final Budget 4	Actual Income 5	Unauthorised Expenditure 6	Variance 7	Actual Income As % Of Final Budget 8
Financial Performance								
Property Rates	3,975,950	-		3,975,950	5,380,607		35%	135%
Service charges	207,748	-		207,748	211,048		2%	102%
Rental of facilities and equipment	120,000	-		120,000	89,308		-28%	74%
Interest earned - external investments	60,000	-		60,000	18,778		-69%	31%
Interest earned - outstanding receivables	-	-		-	172,824		#DIV/0!	#DIV/0!
Fines	2,500,000	-		2,500,000	123,076		-85%	5%
Government grants and subsidies	45,545,933	-		45,545,933	57,770,364		127%	127%
Public contributions and donations	-	-		-	19,562		#DIV/0!	#DIV/0!
Other Own Revenue	185,500	-		185,500	541,627		192%	292%
Total Revenue (Excluding Capital Transfers & Contributions)	52,595,131	-		52,595,131	64,328,014		#DIV/0!	#DIV/0!
Employees Costs	14,820,986	-		14,820,986	15,283,539		3%	103%
Remuneration Of Councillors	4,794,247	-		4,794,247	4,541,374		-5%	95%
Depreciation and amortisation expense	-	1,200,000		1,200,000	2,630,708		118%	218%
Interests and penalties	-	-		-	1,041,809			
Repairs and maintenance	1,600,000	-		1,600,000	2,117,971		32%	132%
Contracted services	350,000	-		350,000	827,920		214%	314%
Grants expenditure	-	-85,000		-85,000	9,893,753		#DIV/0!	#DIV/0!
General expenses	15,894,900	-		15,894,900	22,352,815		40%	140%
Total Expenditure	37,460,133	1,115,000		38,575,133	58,189,688		#DIV/0!	#DIV/0!
Surplus/(Deficit)	15,134,998	-1,115,000		14,019,998	6,138,326	7,881,672	#DIV/0!	#DIV/0!
Transfers Recognised - Capital	-	-		-	-			
Contributions Recognised - Capital & Contributed Assets	-	-		-	-			
Surplus/(Deficit) After Capital Transfers & Contributions	15,134,998	-1,115,000		14,019,998	6,138,326	7,881,672	#DIV/0!	#DIV/0!
Share Of Surplus/(Deficit) Of Associate	-	-		-	-			
Surplus/(Deficit) For The Year	15,134,998	-1,115,000		14,019,998	6,138,326	7,881,672	#DIV/0!	#DIV/0!
Capital Expenditure & Funds Sources								
Capital Expenditure								
Transfers Recognised - Capital/(M/G)	12,035,000	-	12,035,000	12,035,000	-10,952,883		(1,91)	-0,910085843
Total Sources Of Capital Funds	12,035,000	-	12,035,000	12,035,000	-10,952,883		-1,910085843	-0,910085843
Cash flows								
Net Cash From (Used) Operating	-	-		-	14,603,236		#DIV/0!	#DIV/0!
Net Cash From (Used) Investing	-	-		-	-15,203,223		#DIV/0!	#DIV/0!
Net Cash From (Used) Financing	-	-		-	-599,967		#DIV/0!	#DIV/0!
Net increase / (decrease) in net cash and cash equivalents	-	-		-	-599,967		#DIV/0!	#DIV/0!